# GRUPO FINANCIERO HSBC, S.A. DE C.V.

**Third Quarter ended 30 September 2024 Report**

## Highlights

### Quarter ended 30 September 2024

| Total operating income excluding loan impairment charges | Profit before income tax expense | Return on equity |
|---|---|---|
| MXN46,033m ↑ 12.1% or MXN4,956m | MXN10,973m ↑ 11.0% or MXN1,090m | 12.2% ↓ 10bps |
| (2023: MXN41,077m) | (2023: MXN9,883m) | (2023: 12.3%) |

| Net Income | Profit before income tax expense (under IFRS)[1] |
|---|---|
| MXN7,882m ↑ 4.6% or MXN329m | MXN12,063m ↑ 3.1% or MXN364m |
| (2023: MXN7,553m) | (2023: MXN11,699m) |

### Quarter ended September 2024

| Net Loans | Total Deposits | Capital adequacy ratio | Common equity tier 1 ratio |
|---|---|---|---|
| MXN486.4bn ↑ 12.1% or MXN52.4bn | MXN563.6bn ↑ 11.1% or MXN56.1bn | 18.5% ↑ 310 bps | 11.9% ↓ 20 bps |
| (At 30 Sep 2023: MXN434.0bn) | (At 30 Sep 2023: MXN507.5bn) | (At 30 Sep 2023: 15.3%) | (At 30 Sep 2023: 12.0%) |

## Quater report contents



## Award and recognition

**Best Bank for ESG in Mexico**

For the second consecutive year, British magazine Euromoney recognized the work done by HSBC Mexico in Environmental, Social and Governance (ESG) by awarding it with the Best Bank for ESG in Mexico award. This recognition highlights the institution's commitment to the principles of responsible investment by generating a positive impact on communities and the environment with solid and transparent management. Among the main bank's achievements, the consolidation of HSBC Mexico as one of the three main banks issuing thematic bonds for international and national companies stands out.

[1] Grupo Financiero HSBC, S.A. DE C.V. financial results for the nine months to 2024 as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards ('IFRS').
The main differences between Mexican GAAP and IFRS results for the nine months to 2024 relate to differences in loan impairment charges, post-employment benefit, effective interest rate, deferred profit sharing, other insurance adjustment and additional tier 1 (AT1).

## Economic review and outlook

### Economic activity grew

Economic activity grew 0.6% month over month in July 2024, reflecting a moderate expansion with respect to Q2 2024. This increase was led by a notable expansion of agriculture, followed by services and industrial production. In annual terms, the performance across sectors was similar, displaying a more modest expansion pace. These results for the first part of Q3 suggest further moderation in the period of reference.

### Monetary Policy

Mexico's central bank (Banxico) cut the policy rate by 25bp twice in Q3 2024 (August and September). With these moves, the monetary policy rate fell to 10.5% in Q3 2024 from 11.0% in Q2 2024.

### Inflation results

Inflation eased to 4.7% year over year in September 2024 from 5.0% in June 2024. This was driven by a better performance in both core and non-core components. The former reached an annual rate of 3.9% in September 2024 from 4.1% in June 2024.

## Financial Performance – Key Metrics

**Profit before tax** for the nine months to 2024 was MXN10,973m, an increase of MXN1,090m or 11.0% compared with MXN9,883m for the same period in 2023.

**Net interest income** for the nine months to 2024 was MXN35,437m, an increase of MXN3,774m or 11.9% compared with MXN31,663m for the same period in 2023. The increase is mainly explained by the growth of retail and wholesale loan portfolios.

**Loan impairment charges** for the nine months to 2024 were MXN10,124m or 13.8%, an increase of MXN1,228m compared with MXN8,896m for the same period in 2023. The variation is mainly driven by loans portfolio increase.

**Net fee income** for the nine months to 2024 was MXN8,252m, an increase of MXN944m or 12.9% compared with MXN7,308m for the same period in 2023 mainly driven by increase in commercial activity, credit card and investment funds.

**Trading income** for the nine months to 2024 was MXN3,858m, an increase of MXN1,415m or 57.9% compared with MXN2,443m for the same period in 2023, mainly driven by trading position in Interest Rate Swap and Bonds mark to market.

**Other operating income/(expenses)** for the nine months to 2024 was an expense of MXN1,013m, decreased by MXN35m or 3.3% compared with an expense of MXN1,048m for the same period in 2023, main drivers were an increase in insurance technical reserves and higher deposit insurance contributions, partially offset by credit recoveries.

**Administrative and personnel expenses** for the nine months to 2024 were MXN25,145m, an increase of MXN2,684m or 11.9%, compared with MXN22,461m for the same period in 2023 mainly due to higher staff expenses, IT and related tax costs.

**The cost efficiency ratio** was 54.6% for the nine months to 2024 compared with 54.7% for the same period in 2023.

**The effective tax rate** was 28.2% for the nine months to 2024, compared with 23.8% reported for the same period in 2023.

At 30 September 2024, **net loans and advances** were MXN486.4bn showing an overall increase of MXN52.4bn, or 12.1% compared with MXN434.0bn. The increase is driven mainly by 18.4% growth in Commercial Banking (CMB) compared to 30 September 2023, with Wealth and personal Banking (WPB) portfolio growing 7.1%.

At 30 September 2024, **Credit cost ratios[2] and loan loss reserves ratios[3]** were 2.7% (2.6% as of September 2023) and 3.4% (3.7% as of September 2023) respectively.

**Return on equity** was 12.2% for the nine months to 2024 compare

**Total stage 3 loans** at 30 September 2024 were MXN11.1bn representing 2.2% of gross loans. Following the HSBC approach to stage 3, of the 2.2%, 0.1% relates to loans with an indication of unlikeliness to pay despite not being 90 days past due and 2.1% relates to loans with 90 or more days past due. As of September 2023, stage 3 loans were MXN12.0bn and 2.7% as a percentage of gross loans, of which 0.4% were related to loans with an indication of unlikeliness to pay despite not being 90 days past due and 2.3% were related to loans with 90 or more days of past due.

[2] Credit Cost Ratio: Loan Impairment charges annualized/Gross Loans

[3] Loan Loss Reserve Ratio: Loan Loss Reserves/Gross Loans.

At 30 September 2024, **total loan loss allowances** were MXN17.2bn, an increase of MXN0.3bn or 2.1% compared with MXN16.8bn to same period in 2023. The total coverage ratio (allowance for loan losses divided by stage 3 loans) was 154.3% at 30 September 2024 compared with 139.9% at 30 September 2023.

At 30 September 2024, **total deposits** were MXN563.6bn, an increase of MXN56.1bn or 11.1%, compared with MXN507.5bn at 30 September 2023, mainly driven by higher demand deposits and time deposits.[4]

**HSBC Mexico S.A. ('the bank') profit before tax** for the nine months to 2024 was MXN9,499m, an increase of MXN1,022m or 12.1% compared with MXN8,477m for the same period in 2023 mainly driven by higher Interest Income & Trading Income and partially offset by expenses.

**HSBC Bank Mexico S.A. ('the bank') net income** for the nine months to 2024 was MXN6,813m, an increase of MXN263m or 4.0% compared with MXN6,550m for the same period in 2023.

**HSBC Bank Mexico S.A. ('the bank') net interest income** for the nine months to 2024 was MXN33,025m an increase of MXN1,775m or 5.7%, compared with MXN31,250m for the same period in 2023.

The **profit before tax of Grupo Financiero HSBC's insurance subsidiary** for the nine months to 2024 was MXN837m, a decrease of MXN136m or 13.9% compared with MXN973m for the same period in 2023, mainly driven by increase in technical reserves partially offset by premiums and mark to market from financial instruments.

**HSBC Mexico S.A. ('the bank') is a subsidiary of Grupo Financiero HSBC, S.A. de C.V. (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the period ended 30 September 2024) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC has elected to file this release. HSBC Seguros, S.A. de C.V. Grupo Financiero HSBC (HSBC Seguros) is Grupo Financiero HSBC's insurance subsidiary.**

**Results are prepared in accordance with Mexican GAAP (Generally Accepted Accounting Principles).**

[4] *Figures split by segment are MXN275.8bn WPB, MXN252.7bn CMB and MXN35.1bn MSS.*

## Our business segments[5,6,7]

### Commercial Banking ('CMB')

Line of business serving local companies, multinationals and Institutional clients with financial needs in Mexican pesos and other currencies like loans for working capital, term loans, financing products for export activities; Treasury management, including current accounts, payments, corporate cards and liquidity management. Additionally, it offers Global Markets solutions to serve a local and domestic client with simple financial needs and solutions that require a global presence in other financial markets.

### Wealth and Personal Banking ('WPB')

Line of business serving individuals that includes mostly consumer products, among which are credit cards, personal and car loans, as well as mortgage loans and deposits. Additionally, a group of individuals with business activity is also served, whose main products are credit lines for working capital; as well as a specific group of small businesses, with term loan products and financial services related to checking accounts and cash management.

### Markets and Securities Services ('MSS')

We provide financial services and products to corporates, governments and institutions. Our comprehensive range of products and solutions can be combined and customized to meet our customers' specific objectives - from debt capital, global trade and receivables finance to global liquidity and cash management.

## Markets and Security Services (MSS)

Markets and Securities Services ('MSS') provides tailored financial services and products to major government, corporate and institutional clients

### Review of financial performance

| | Quarter Ended | |
|---|---|---|
| | **30-Sep-24** | **30-Sep-23** |
| Net interest income | 665 | 365 |
| Non-interest income | 409 | 791 |
| **Total Revenue** | **1,074** | **1,156** |
| Loan impairment charges | - | - |
| **Net operating income** | **1,074** | **1,156** |
| Administrative and personnel expenses | (755) | (742) |
| Share of profits in equity interest | - | -1 |
| **Profit/(loss) before tax** | **319** | **413** |

### Key metrics

**Profit before tax** for the nine months to 2024 was MXN 319.0m, a decrease of MXN 93.6m which represents 22.7% compared with profit MXN 412.6m in 2023. This decrease is mainly driven by trading position in Interest Rate Swap and Bonds Mark to Market, partially offset by higher interest income due to increase in government bonds position. With Markets Treasury allocation, profit before tax was MXN208m.

**Administrative and personal expenses** for the nine months to 2024 were MXN 755.0m, an increase of MXN13m or an 1.8% compared with MXN 741.8m for the same period in 2023 mainly driven by higher administrative costs.

[5] *Markets Treasury total loss before tax for the nine months of 2024 was MXN781m. Since June 2020, Markets Treasury is allocated out to the global businesses, to align them better with their revenue and expense and for the nine months of 2024 loss before tax allocation by business was MXN-381m to WPB, MXN-288m to CMB and MXN-111m to MSS.*

[6] *WPB does not include Insurance results which was MXN838m in profit before for the nine months of 2024.*

[7] *Corporate Centre & Other MXN 109 profit before tax for the nine months of 2024 is not included.*

## Commercial Banking (CMB)

Commercial Banking ('CMB') offers a full range of commercial financial services and tailored solutions to clients ranging from small enterprises to large corporates operating internationally.

### Review of financial performance

| | Quarter Ended | |
|---|---|---|
| | 30-Sep-24 | 30-Sep-23 |
| Net interest income | 10,545 | 9,272 |
| Non-interest income | 995 | 1,045 |
| **Total Revenue** | **11,540** | **10,317** |
| Loan impairment charges | (366) | 336 |
| **Net operating income** | **11,174** | **10,653** |
| Administrative and personnel expenses | (4,297) | (3,891) |
| Share of profits in equity interest | 12 | (15) |
| **Profit/(loss) before tax** | **6,889** | **6,747** |

### Key metrics

**Profit before tax** for the nine months to 2024 was MXN6,889m, an increase of MXN142m or 2.1% compared with MXN6,747m for the same period in 2023, mainly explained by higher Revenues from interest margins, partly offset by an increase on loan impairment charges and higher administration and personnel expenses. With Markets Treasury allocation, profit before tax was MXN6,601m.

**Total revenue** for the nine months to 2024 was MXN11,540m, an increase of MXN1,223m or 11.9% compared with MXN10,317m for the same period in 2023, mainly explained by higher net interest income following increase on assets & deposits coupled with higher fee income from Lending and Trade transactions; this is partly offset by lower trading income and higher deposit insurance cost.

**Loan impairment charges** for the nine months to 2024 were MXN366m, an increase of MXN702m compared with MXN336m release for same period in 2023, mainly explained by portfolio growth coupled with higher provisions in specific customers.

**Administrative and personnel expenses** for the nine months to 2024 were MXN4,297m, an increase of MXN406m or 10.4% compared with MXN3,891m for the same period in 2023, explained by higher staff expenses, IT costs, higher spend related to commercial activity and tax related costs.

At 30 September 2024, **net loans and advances to customers** were MXN227.8bn, an increase of MXN35.3bn or 18.4% compared with MXN192.4bn for the same period in 2023, driven by increase on International Corporates & Multinational segments observed since 4Q23.

At 30 September 2024, **total deposits** were MXN252.7bn, an increase of MXN22.7bn or 9.9% compared with MXN229.9bn for the same period in 2023, mainly to support the increase on the asset side.

### Milestones

**ELIS Awards.** During this Quarter, the third edition of the ELIS awards (Leader Companies on Sustainable Innovation) was held in collaboration with EY; this allows HSBC to continue positioning as one of the Banks leading in the market regarding Sustainable Finance. In addition, other events related to Mujeres al Mundo as well as client Forums & Academies took place discussing about banking transactions and cybersecurity.

**ESG.** HSBC Mexico, S.A. has been actively involved in several major Corporate and Multinational issuances with a total of 4 Bonds issued (including social bonds and acting in some transactions as joint book runners). This continues to position HSBC Mexico in the market.

## Wealth and Personal Banking (WPB)[8]

Wealth and Personal Banking ('WPB') offers a full range of competitive banking products and services to help to manage the finances of our clients, buy their homes, and save and invest for the future.

### Review of financial performance

| | Quarter Ended | |
|---|---|---|
| | 30-Sep-24 | 30-Sep-23 |
| Net interest income | 25,346 | 24,132 |
| Non-interest income | 6,412 | 5,718 |
| **Total Revenue** | **31,758** | **29,850** |
| Loan impairment charges | (9,758) | (9,232) |
| **Net operating income** | **22,000** | **20,618** |
| Administrative and personnel expenses | (18,467) | (16,728) |
| Share of profits in equity interest | 197 | 181 |
| **Profit/(loss) before tax** | **3,730** | **4,071** |

### Key metrics

**Profit before tax** for nine months to 2024 was of MXN3,730m, a decrease of MXN341m or 8.4% compared with the MXN4,071m for the same period in 2023. This outcome was predominantly driven by increased administrative expenses and loan impairment charges, partially offset by higher revenues. With Markets Treasury allocation, profit before tax was MXN3,348m.

**Total revenue** for the nine months to 2024 was MXN31,758m, an increase of MXN1,908m or 6.4%, compared with MXN29,850m for the same period of 2023. This revenue growth was driven by higher lending (7%) and deposits (4%) portfolios, alongside an increase in fees, predominantly within our cards segment.

**Loan impairment charges** for the nine months to 2024 were MX9,758m, an increase of MXN526m or 5.7% compared with MXN9,232m for the same period in 2023. This increase is largely attributable to provisions associated with an expanded loan portfolio.

**Administrative and personnel expenses** for the nine months to 2024 were MXN18,467m, an increase of MXN1,739m or 10.4% compared with MXN16,728m for the same period of 2023. This surge was primarily due to IT, Staff costs and inflation.

At 30 September 2024 for balance sheet, **Net loans and advances to customers** were MXN258.6bn, it is showing an overall increase of MXN17bn or 7.1% compared with MXN241.4bn for the same period of 2023. This growth was predominantly observed in Mortgages (6%), followed by Cards (9%) and Auto (13%).

**Total deposits** at 30 September 2024 amounted to MXN275.8bn, an increase of MXN9.5bn or 3.5% from MXN266.4bn in 2023, with significant contributions from Demand Deposits (7%) and Time Deposits (6%). Additionally, Funds experienced a growth of 25%, reaching MXN175.8bn compared to 2023.

### Milestones

Grupo Financiero HSBC, S.A. de C.V. continues its path to become the main bank of its customers. Relevant milestones achieved include:

**Digital Investment Account Opening.** August marked the launch of this feature on the HSBC app, allowing customers to seamlessly open investment accounts from their phones. This major innovation strengthens our wealth value proposition and brings us closer to becoming Mexico's leading Wealth Bank.

**DiMo.** We recently introduce on the HSBC Mexico app, a central bank platform enabling instant money transfers without requiring account or card numbers. This significant feature enhances our digital capabilities and service offerings.

[8] *WPB does not include Insurance results which was MXN838m in profit before for the nine months of 2024.*

**About HSBC**

Grupo Financiero HSBC, S.A. de C.V., is one of the leading financial groups in Mexico with 842 branches, 5,507 ATMs and 13,803 employees as of 30 September 2024.

For more information, visit www.hsbc.com.mx.

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 60 countries and territories. With assets of USD 3,099bn at 30 September 2024, HSBC is one of the world's largest banking and financial services organisation.


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## Consolidated Income Statement – GROUP nine months ended 30 September 2024

*Figures in MXN Millions*

| | Group | |
|---|---|---|
| | **30-Sep-24** | **30-Sep-23** |
| Interest income | 69,844 | 61,120 |
| Interest expense | (34,407) | (29,457) |
| **Net interest income** | **35,437** | **31,663** |
| Loan impairment charges | (10,124) | (8,896) |
| Risk-adjusted net interest income | 25,313 | 22,767 |
| Fees and commissions receivable | 10,551 | 9,341 |
| Fees payable | (2,229) | (2,033) |
| Premiums, Technical Provisions, Claims and Other Liabilities (Insurance) | (501) | 711 |
| Trading income | 3,858 | 2,443 |
| Other operating income (expense) | (1,013) | (1,048) |
| **Total operating income** | **35,909** | **32,181** |
| Administrative and personnel expenses | (25,145) | (22,461) |
| **Net operating income** | **10,764** | **9,720** |
| Share of profits in equity interest | 209 | 163 |
| **Profit/(loss) before tax** | **10,973** | **9,883** |
| Income tax | (3,091) | (2,350) |
| **Net income before discontinued operations** | **7,882** | **7,533** |
| Discontinued Operations | - | - |
| **Net income** | **7,882** | **7,533** |

## Consolidated Income Statement – BANK nine months ended 30 September 2024

*Figures in MXN Millions*

| | Bank | |
|---|---|---|
| | **30-Sep-24** | **30-Sep-23** |
| Interest income | 69,442 | 60,707 |
| Interest expense | (34,417) | (29,457) |
| **Net interest income** | **35,025** | **31,250** |
| Loan impairment charges | (10,124) | (8,896) |
| Risk-adjusted net interest income | 24,901 | 22,354 |
| Fees and commissions receivable | 9,811 | 8,821 |
| Fees payable | (2,669) | (2,396) |
| Trading income | 2,580 | 2,089 |
| Other operating income (expense) | (508) | (307) |
| **Total operating income** | **34,115** | **30,561** |
| Administrative and personnel expenses | (24,821) | (22,247) |
| **Net operating income** | **9,294** | **8,314** |
| Share of profits in equity interest | 205 | 163 |
| **Profit/(loss) before tax** | **9,498** | **8,477** |
| Income tax | (2,686) | (1,927) |
| **Net income before discontinued operations** | **6,813** | **6,550** |
| Discontinued Operations | - | - |
| **Net income** | **6,813** | **6,550** |

## Consolidated Balance Sheet – 2024 (Comparatives)

| *Figures in MXN millions* | Group | | Bank | |
|---|---|---|---|---|
| | **30 Sep 24** | **30 Sep 23** | **30 Sep 24** | **30 Sep 23** |
| **Assets** | | | | |
| Cash and cash equivalents | 72,413 | 67,745 | 72,230 | 67,579 |
| Margin accounts | 184 | 79 | 184 | 79 |
| **Financial Investments** | **201,371** | **165,235** | **175,755** | **151,651** |
| Trading financial investments | 85,841 | 66,422 | 66,102 | 58,690 |
| Financial investments hold to collect or sale | 77,750 | 76,111 | 71,873 | 70,259 |
| Financial investments hold to collect principal and interest (securities) (net) | 37,780 | 22,702 | 37,780 | 22,702 |
| Reverse repurchase agreements | 41,512 | 40,382 | 41,512 | 40,382 |
| Derivative transactions | 26,516 | 31,682 | 26,516 | 31,682 |
| Loan and advances - credit risk stage 1 | | | | |
| Commercial loans | 240,588 | 201,458 | 240,588 | 201,458 |
| Consumer loans | 100,199 | 93,608 | 100,199 | 93,608 |
| Mortgage loans | 146,168 | 136,105 | 146,168 | 136,105 |
| Total loan portfolio with credit risk stage 1 | 486,955 | 431,171 | 486,955 | 431,171 |
| Loan and advances - credit risk stage 2 | | | | |
| Commercial loans | 239 | 2,701 | 239 | 2,701 |
| Consumer loans | 3,102 | 2,852 | 3,102 | 2,852 |
| Mortgage loans | 2,120 | 1,901 | 2,120 | 1,901 |
| Total loan portfolio with credit risk stage 2 | 5,461 | 7,454 | 5,461 | 7,454 |
| Loan and advances - credit risk stage 3 | | | | |
| Commercial loans | 4,390 | 6,532 | 4,390 | 6,532 |
| Consumer loans | 3,011 | 2,422 | 3,011 | 2,422 |
| Mortgage loans | 3,739 | 3,086 | 3,739 | 3,086 |
| Total loan portfolio with credit risk stage 3 | 11,140 | 12,040 | 11,140 | 12,040 |
| Loan Portfolio measured at Fair Value | | | | |
| Gross loans and advances to customers | 503,556 | 450,665 | 503,556 | 450,665 |
| Expected credit losses | (17,187) | (16,840) | (17,187) | (16,840) |
| Gross loans and advances to customers - Insurance | 177 | 159 | - | - |
| **Total net loans and advances to customers** | **486,546** | **433,984** | **486,369** | **433,825** |
| Premium receivables | 2,279 | 2,102 | - | - |
| Accounts receivables from reinsurers and rebonding companies | 79 | 45 | - | - |
| Other accounts receivable (net) | 48,628 | 46,224 | 48,692 | 46,090 |
| Foreclosed assets | 296 | 321 | 296 | 321 |
| Long term assets held for sale | 10 | 10 | 10 | 10 |
| Property, Furniture and Equipment (Net) | 6,551 | 6,452 | 6,551 | 6,452 |
| Property, Furniture and Equipment (Net) – Rights-of-Use Assets (RoU) | 3,146 | 1,705 | 3,143 | 1,699 |
| Prepayments and other assets | 6,229 | 6,255 | 5,928 | 6,136 |
| Long-term investments | 1,488 | 1,432 | 1,439 | 1,390 |
| Deferred income tax asset (net) | 6,368 | 7,145 | 6,207 | 7,112 |
| Intangible assets (net) | 7,303 | 7,455 | 7,303 | 7,455 |
| Intangible Assets (Net) - Rights of Use Assets | 274 | 251 | - | - |
| Goodwill | 955 | 955 | - | - |
| Benefits Receivable in Securitization Transactions | - | 10 | - | 10 |
| **Total assets** | **912,148** | **819,469** | **882,135** | **801,875** |

**Consolidated Balance Sheet - 2024** (continued)
*Figures in MXN millions*

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 Sep 24** | **30 Sep 23** | **30 Sep 24** | **30 Sep 23** |
| **Liabilities** | | | | |
| **Deposits** | **563,625** | **507,503** | **564,109** | **507,860** |
| Demand deposits | 364,385 | 341,042 | 364,853 | 341,399 |
| Time deposits | 177,808 | 153,449 | 177,824 | 153,449 |
| Bank bond outstanding | 19,280 | 11,414 | 19,280 | 11,414 |
| Global deposit account without movements | 2,152 | 1,598 | 2,152 | 1,598 |
| Bank deposits and other liabilities | **13,677** | **8,553** | **13,677** | **8,553** |
| On demand | 3,801 | - | 3,801 | - |
| Short-term | 5,194 | 5,143 | 5,194 | 5,143 |
| Long-term | 4,682 | 3,410 | 4,682 | 3,410 |
| Pending Securities to pay | 25,057 | - | - | - |
| Technical reserves | - | 12,393 | - | - |
| Unsettled transactions | - | - | - | - |
| Repurchase agreements | 47,740 | 44,766 | 47,740 | 44,766 |
| Collateral sold | **43,359** | **48,683** | **43,359** | **48,684** |
| Reports (credit balance) | 32,083 | 36,185 | 32,083 | 36,185 |
| Securities lending | 11,276 | 12,498 | 11,276 | 12,499 |
| Derivative Financial Liabilities | **29,586** | **34,140** | **29,586** | **34,140** |
| Trading Derivatives | 29,577 | 34,137 | 29,577 | 34,137 |
| Hedging Derivatives | 9 | 3 | 9 | 3 |
| Accounts Payable from reinsurers and rebonding companies | 3 | 11 | - | - |
| Lease liabilities | 3,206 | 2,036 | 3,202 | 2,029 |
| **Other payable accounts** | **48,370** | **53,497** | **47,640** | **52,532** |
| Settlement accounts | 26,730 | 29,141 | 26,616 | 28,699 |
| Income tax and employee profit sharing payable | 3,010 | 5,485 | 3,010 | 5,485 |
| Contributions for future capital increases | 1,116 | 1,255 | 1,040 | 1,192 |
| Sundry creditors and other accounts payable | 17,514 | 17,616 | 16,974 | 17,156 |
| **Financial instruments qualifying as liabilities (subordinated debt)** | **42,100** | **18,894** | **42,100** | **18,894** |
| Subordinated debentures outstanding | - | 18,894 | 42,100 | 18,894 |
| Income tax liabilities | 117 | 145 | 66 | 126 |
| Employee benefit liabilities | 5,419 | 4,898 | 5,339 | 4,823 |
| Deferred credits and receivable in advance | 1,980 | 1,897 | 1,980 | 1,868 |
| **Total liabilities** | **824,240** | **737,416** | **798,799** | **724,275** |
| | | | | |
| **Equity** | | | | |
| Paid in capital | **43,373** | **43,373** | **38,318** | **38,318** |
| Capital stock | 6,218 | 6,218 | 6,132 | 6,132 |
| Additional paid in capital | 37,155 | 37,155 | 32,186 | 32,186 |
| Other reserves | **47,650** | **42,875** | **47,968** | **43,297** |
| Capital reserves | 1,244 | 1,244 | 15,305 | 14,510 |
| Retained earnings - prior years | 38,524 | 34,098 | 25,850 | 22,237 |
| Net income | 7,882 | 7,533 | 6,813 | 6,550 |
| Result from the mark-to-market of available- for-sale securities | (390) | (1,403) | (238) | (1,149) |
| Result from cash flow hedging transactions | (108) | (628) | (108) | (628) |
| Adjustment in the employee pension | (2,620) | (2,166) | (2,604) | (2,240) |
| Total Controlling Interest's | 87,905 | 82,051 | 83,336 | 77,598 |
| Minority interest in capital | 3 | 2 | - | - |
| Total Shareholder's Equity | **87,908** | **82,053** | **83,336** | **77,598** |
| **Total liabilities and equity** | **912,148** | **819,469** | **882,135** | **801,873** |

**Consolidated Balance Sheet** – **2024** (continued)
*Figures in MXN millions*

| | Group | | Bank | |
|---|---|---|---|---|
| | **30-Sep-24** | **30-Sep-23** | **30-Sep-24** | **30-Sep-23** |
| **Memorandum Accounts** | | | | |
| **Third party accounts** | **298** | **76,819** | - | - |
| Clients current accounts | 298 | 1,565 | - | - |
| Custody operations | - | 75,254 | - | - |
| **Proprietary position** | **2,918,858** | **3,620,471** | **2,705,438** | **3,419,230** |
| Irrevocable lines of credit granted | 421,119 | 333,285 | 421,119 | 333,285 |
| Goods in trust or mandate | **200,401** | **195,902** | **200,401** | **195,902** |
| Trusts | 199,552 | 195,068 | 199,552 | 195,068 |
| Mandate | 849 | 834 | 849 | 834 |
| Goods in custody or under administration | 387,730 | 330,063 | 387,730 | 330,063 |
| Collateral received by the institution | 55,962 | 54,222 | 55,962 | 54,222 |
| Collateral received and sold or delivered as guarantee | 55,729 | 49,221 | 55,729 | 49,221 |
| Suspended interest on stage 3 loans | 552 | 645 | 552 | 645 |
| Other control accounts | 1,797,365 | 2,657,133 | 1,583,945 | 2,455,892 |
| **Total Memorandum Account** | **2,919,156** | **3,697,290** | **2,705,438** | **3,419,230** |

## Consolidated Statement of Changes in Shareholders' Equity

*Figures in MXN millions*

| **Group** | Capital contributed | Capital reserves | Retained earnings – prior years | Valuation of financial investments hold to collect or sale | Valuation of cash flow hedging transactions | Remeasurement of defined benefits to employees | Total controlling interest | Minority interest | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **Total Balances at 01 Jan 2024** | 43,373 | 1,244 | 41,530 | (916) | (199) | (2,568) | 82,464 | 4 | **82,467** |
| Adjustments for accounting changes | - | - | (59) | - | - | - | (59) | - | **(59)** |
| Cash Dividends* | - | - | (2,947) | - | - | - | (2,947) | - | **(2,947)** |
| Capitalization of other equity items | - | - | - | - | - | - | - | (1) | **(1)** |
| **Comprehensive Income:** | | | | | | | | | |
| Net Income | - | - | 7,882 | - | - | - | 7,882 | - | **7,882** |
| **Other comprehensive income:** | | | | | | | | | |
| Valuation of financial investments hold to collect or sale | - | - | - | 526 | - | - | 526 | - | **526** |
| Valuation of cash flow hedging transactions | - | - | - | - | 91 | - | 91 | - | **91** |
| Remeasurement of defined benefits to employees | - | - | - | - | - | (52) | (52) | - | **(52)** |
| **Total** | **-** | **-** | **7,882** | **526** | **(91)** | **(52)** | **8,447** | - | **8,447** |
| **Final balances as of 30 September 2024[9]** | **43,373** | **1,244** | **46,406** | **(390)** | **(108)** | **(2,620)** | **87,905** | **3** | **87,908** |

9 Include AT1 coupon payments

## Consolidated Statement of Changes in Shareholders' Equity

*Figures in MXN million*

| Bank | Capital contributed | Capital reserves | Retained earnings – prior years | Valuation of financial investments hold to collect or sale | Valuation of cash flow hedging transactions | Remeasurement of defined benefits to employees | Total controlling interest | Minority interest | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **Total Balances at 01 Jan 2024** | 38,318 | 14,510 | 28,125 | (754) | (199) | (2,551) | 77,449 | - | **77,499** |
| Adjustments for accounting changes | - | - | (59) | - | - | - | (59) | - | (59) |
| **Movements inherent to the shareholders' decision:** | | | | | | | | | |
| Dividends Declared (including AT1 coupon payments) | - | - | (1,421) | - | - | - | **(1,421)** | - | **(1,421)** |
| Capitalization of other equity items | - | - | - | - | - | - | **-** | - | **-** |
| Reserve Movements | - | 795 | (795) | - | - | - | **-** | - | **-** |
| **Comprehensive Income:** | | | | | | | | | |
| Net Income | - | - | 6,813 | - | - | - | **6,813** | - | **6,813** |
| **Other comprehensive income:** | | | | | | | | | |
| Valuation of financial investments hold to collect or sale | - | - | - | 516 | - | - | **516** | - | **516** |
| Valuation of cash flow hedging transactions | - | - | - | - | 91 | - | **91** | - | **91** |
| Remeasurement of defined benefits to employees | - | - | - | - | - | (53) | **(53)** | - | **(53)** |
| Participation in comprehensive income of other entities | - | - | - | - | - | - | **-** | - | **-** |
| **Total** | **-** | **-** | **6,813** | **516** | **91** | **(53)** | **7,367** | **-** | **7,367** |
| **Final balances as of 30 September 2024** | **38,318** | **15,305** | **32,663** | **(238)** | **(108)** | **(2,604)** | **83,336** | **-** | **83,336** |

**Consolidated Statement of Cash Flow – Group**

| *Figures in MXN millions* | 30 Sep 2024 |
|---|---|
| **Profit/(loss) before taxes** | **10,973** |
| **Adjustments for items associated with investing activities** | **3,112** |
| Depreciation of property, furniture and equipment | 905 |
| Amortization of intangible assets | 2,416 |
| Participation in the net result of other entities | (209) |
| **Adjustments for items associated with financing activities** | **3,903** |
| Interest associated with bank deposits and other liabilities | 1,033 |
| Financial instruments qualifying as liabilities (subordinated debt) | 2,870 |
| **Changes in items related to operating activities** | **(21,393)** |
| Bank deposits and other liabilities | (2,805) |
| Margin accounts | (72) |
| Financial investments | (54,402) |
| Reverse repurchase agreements | 4,532 |
| Derivative transactions (assets) | 2,223 |
| Loan Portfolio (net) | (35,369) |
| Debtors of re-insurance | 431 |
| Recoverable amounts for reinsurance and refinancing (net) | 15 |
| Change in benefits from receiving securitization operations | 10 |
| Change in inventories | - |
| Other accounts receivable (net) | (13,124) |
| Foreclosed assets (net) | 55 |
| Deposits | 39,116 |
| Technical Reserves | 10,223 |
| Repurchase agreements | 19,433 |
| Collaterals sold or given in guarantee | 1,399 |
| Derivative transactions (liabilities) | (4) |
| Accounts payable for reinsurers | (9) |
| Change of assets/liabilities for employee benefits | 55 |
| Other accounts payable | 10,886 |
| Other provisions | (1,295) |
| Income tax payments | (2,692) |
| **Net cash flows from operating activities** | **(3,405)** |
| **Investing activities:** | |
| Payments for the acquisition of property, furniture and equipment | (797) |
| Proceeds from the sale of property, furniture and equipment | - |
| Collections of cash dividends from permanent investments | 244 |
| Payments for acquisition of intangible assets | (1,493) |
| Other receipts from investing activities | - |
| Other payments from investing activities | - |
| **Net cash flows from investing activities** | **(2,048)** |
| **Financing activities:** | |
| Payments of bank loans and other organizations | (979) |
| Cash Dividend Payments | (2,830) |
| Proceeds from the issuance of financial instruments that qualify as liabilities | 14,813 |
| Collections for the issuance of financial instruments that qualify as liabilities | (119) |
| **Net cash flows from financing activities** | **10,885** |
| Increase/decrease in cash and equivalents | 5,432 |
| Cash and equivalents at beginning of period | 66,981 |
| **Cash and equivalents as of 30 September 2024** | **72,413** |

**Consolidated Statement of Cash Flow - Bank**

| *Figures in MXN millions* | **30 Sep 2024** |
|---|---|
| **Profit/(loss) before taxes** | **9,499** |
| **Adjustments for items associated with investing activities** | **3,116** |
| Depreciation of property, furniture and equipment | 905 |
| Amortization of intangible assets | 2,416 |
| Other adjustments for items associated with investing activities | (205) |
| **Adjustments for items associated with financing activities** | **3,903** |
| Interest associated with bank deposits and other liabilities | 1,033 |
| Financial instruments qualifying as liabilities (subordinated debt) | 2,870 |
| **Changes in items related to operating activities:** | **(21,468)** |
| Bank deposits and other liabilities | (2,805) |
| Margin accounts | (72) |
| Financial investments | (44,735) |
| Reverse repurchase agreements | 4,532 |
| Derivative transactions (assets) | 2,223 |
| Loans and advances (net) | (35,356) |
| Change in benefits from receiving securitization operations | 10 |
| Other accounts receivable (net) | (12,495) |
| Foreclosed assets (net) | 55 |
| Other Operating Assets | 39 |
| Deposits | 39,298 |
| Repurchase agreements | |
| Collaterals sold or given in guarantee | 19,433 |
| Derivative transactions (liability) | 1,399 |
| Adjustments for employee benefits | (4) |
| Other operational liabilities | 15,024 |
| Change of assets/liabilities for employee benefits | 120 |
| Other accounts payable | (4,997) |
| Other provisions | (1,183) |
| Income tax payments | (1,955) |
| **Net cash flows from operating activities** | **(4,950)** |
| **Investing activities:** | |
| Payments for the acquisition of property, furniture and equipment | (797) |
| Payments for the acquisition of affiliates | (2) |
| Collections of cash dividends from permanent investments | 244 |
| Payments for acquisition of intangible assets | (1,493) |
| Other payments from investing activities | - |
| **Net cash flows from investing activities** | **(2,048)** |
| **Financing activities:** | |
| Lease liability payments | (977) |
| Cash Dividend Payments | (1,303) |
| Proceeds from the issuance of financial instruments that qualify as liabilities | 14,813 |
| Payments associated with financial instruments that qualify as a liability | (119) |
| **Net cash flows from financing activities** | **12,414** |
| Increase/decrease in cash and equivalents | 5,416 |
| Cash and equivalents at beginning of period | 66,814 |
| **Cash and equivalents as of 30 September 2024** | **72,230** |

## Changes in Mexican accounting standards

### Introduction

These consolidated financial statements are prepared in accordance with the accounting standards applicable to financial group holding companies in Mexico, effective as of the date of the consolidated statement of financial position, issued by the National Banking and Securities Commission (CNBV for its acronym in Spanish), who is in charge of inspecting and supervising financial group holding companies and reviewing their financial information. The subsidiaries financial statements have been prepared in accordance with the accounting criteria established by the National Banking and Securities Commission (CNBV, for its acronym in Spanish), except for the consolidated financial statements of HSBC Insurance Company, which are prepared under the criteria applicable to Finance and Insurance Institutions in Mexico, issued by the National Insurance and Bonding Commission (CNSF, for its acronym in Spanish).

The accounting criteria established by the National Banking and Securities Commission and the National Insurance and Bonding Commission, generally follow the requirements of the Mexican Financial Reporting Standards (NIF, for its acronym in Spanish), issued by the Mexican Financial Reporting and Sustainability Standards Board (CINIF, for its acronym in Spanish), and additionally include rules for the recognition, valuation, presentation and disclosures for banking sector particular transactions, which in some cases could be different from NIF.

The accounting criteria states that the Banking Commission will issue specific rules for specialized operations. In the absence of express accounting criteria, the supplementary process established in IFRS 8 "Operating Segments" will be observed, and in accordance with this, only in the event that International Financial Reporting Standards do not provide a solution to the accounting recognition, a supplementary standard belonging to any other regulatory scheme may be applied in the following order: Accounting Principles Generally Accepted In the United States of America and any accounting standards that is part of a set of formal and recognized standards, provided that they meet all the requirements set forth in the aforementioned NIF.

The recent changes or new developments in accounting standards issued by CNBV or CINIF applicable to the bank as principal subsidiary of Grupo Financiero HSBC, are described below:

**I. *Improvements of NIF 2024 issued by CINIF applicable to Financial Institutions*.**

CINIF issued a document called "Improvements to NIF 2024", which mainly includes the following changes and improvements:

Improvements that generate accounting changes.

NIF A-1 "Conceptual Framework of Financial Reporting Standards" – The CINIF split disclosures requirements of NIF in two sections: i) Disclosures applicable to all entities and ii) Additional disclosures applicable to public interest entities. In consequence, the conceptual framework of NIF adds the definition of public interest entities and explanations to understand the separation of disclosures in particular standards by each type of entity.

These improvements are effective for the year beginning on or after January 1, 2025, early application in 2024 is permitted.

NIF D-6 "Capitalisation of Integral Financial Result (RIF by its acronym in Spanish)" – The CINIF was questioned about if a productor biological asset should be recognised as asset and in consequence being recognised the capitalisation of the RIF, as part of its acquisition cost. As a result, the CINIF concluded in a positive way to recognise it as an asset and RIF as part of acquisition cost, while it is not ready to produce. This change drove some changes in NIF D-6, which, even if it is applicable to banks, no expectation that it would originate financial impacts, due to these types of assets are not applicable to financial institutions.

NIF C-10 "Derivative Financial Instruments and Hedging relationships" – The necessary amendments are made to include the accounting treatment of a hedge of equity financial instruments whose valuation at fair value is recognized in ORI in accordance with NIF C-2 "Investment in Financial Instruments", which converges with the established in IFRS 9 "Financial Instruments"

NIF B-17 "Determination of Fair Value", NIF C-2 "Investment in Financial Instruments", NIF C-16 "Impairment of Financial Instruments to Collect and/or Hold to Collect & Sale", NIF C-20, Financial Instruments to Hold to Collect and INIF-24 Accounting Recognition in the Adoption of Free-Risk Rates" –By definition of NIF Glossary, the objective of Hold-to-Collect or Sale financial instruments is to collect principal and interest cash flows or obtain a profit by their sale in the market. Nevertheless, the purpose of these instruments must be to get a profit in the market by their sale once market conditions could be favourable to the holder, rather than choosing between collect the principal and interest or sale. In consequence, the definition was changed to reconfirm that the purpose should be to Hold-to-Collect & Sale, even if eventually they are not sold because unfavourable market conditions, but not affecting their original classification.

Due to the changes in the definition, this originates a serial of updates in other NIF (NIF B-17, C-16, C-20 e INIF 24) not representing accounting changes.

NIF D-4 "Income Tax" –Clarification about that the income tax rate that should be used to recognise assets and liabilities of current or deferred income taxes for earnings non-distributable to shareholders.

Improvements which do not generate accounting changes.

NIF B-7 "Business combinations" – Discarding the accounting recognition in acquirer balance sheet of those unaccrued employee benefits liabilities, because NIF D-3 Employee Benefits, indicates those unaccrued expenses are not subject to be recognised.

Likewise, it was included a precision to indicate that an acquisition in stages are not limited to associates, instead any type of entity in which the acquirer had had a previous participation before it obtains control, such as a joint venture or other permanent investment.

NIF B-8 "Combined or Consolidated Financial Statements" – A precision was included to clarify a difference with IFRS 10 in the holding's requirements to exercise the option to not consolidate financial statements, which is related to the non-consolidation follows an specific purpose knows by the holding entity such as for statutory purposes.

NIF B-11 "Non-current assets Held-for-Sale and Discontinued Operations" – A clarification was included to consider the term of "Entity's component" as a synonym of "Cash Generating Unit or Group of Cash Generating Unit" in the interpretation of the standard to identify Discounted Operations.

NIF C-2 "Investment in Financial Instruments" – It was included that FX translation differences originated by those equity instruments designated irrevocable to be measured at fair value in Other Comprehensive Income (OCI), should be recognised in the same OCI.

NIF C-5 "Prepayments", NIF C-9 "Provisions, Contingencies and Commitments" and NIF C-10 "Derivative Financial Instruments and Hedging relationships" – Precisions added to understand better the accounting treatment for financial guarantees by both issuer and holder.

NIF C-6 "Property, Plant & Equipment" – Costs incurred, and revenue earned by the PP&E item, while it has not been allocated in the place and conditions envisaged to be used by the entity, are not capitalised, and should be recognised on income statement, as they are accrued/incurred.

NIF C-6 "Property, Plant & Equipment" and NIF C-8 "Intangible Assets" – A precision added to determine that these assets are subject to a review at the end of the reporting annual period to confirm that their residual value, expected useful life and depreciation/amortisation methodology are still appropriated and they do not have to change.

NIF C-7 "Associates, Joint Ventures and Other Permanent Investments" – A clarification was included to indicate that the accounting treatment applicable to non-monetary assets capital contributions included in NIF C-7, are just applicable for those that do not meet "business" definition included in NIF B-7 "Business Combinations".

NIF C-8 "Intangible Assets" – Clarification added to indicate that expenses incurred in pre-operating phases of the entity would be recognised as intangible assets as they meet requirements set out in NIF C-8, otherwise they should be expensed.

NIF C-19 "Financial Liabilities" – Precisions added to clarify in renegotiated debts what commissions should be included in quantitative de-recognition test of 10% and in which income statement line should be presented the gain or loss in renegotiation or de-recognition of these financial instruments.

NIF D-8 "Shared Based Payments" – It was included the specification of a difference between NIF D-8 and IFRS 2, which is related to the accounting recognition of a liability with a third-party for goods or services received, that will be settled by a variable number of entity's equity instruments in accordance with their fair value. The capitalisation of the liability occurs upon the issuance of the shares.

ONIF 3 "Summary of Financial Instruments Standard" – Elimination of the reference of differences between NIF and IFRS, because they are included in introduction paragraphs of each NIF related to Financial Instruments and the book called "Differences between NIF and IFRS" issued by the CINIF.

NIF Glossary – By improvements, they were included some new terms and modifications of others.

New terms:

- Public interest entity: generally speaking, an entity that is publicly accountable either because its equity and/or debt instruments are traded in a public market, it holds assets in a fiduciary capacity for a large group of third parties as one of its core businesses, or its decisions could have a systemic risk.
- Public accountability: when there is a wide group of external users of the entity's financial statements (other than owners and managers) such as current and potential investors and creditors, who rely primarily on the entity's financial information for their decision-making but lack the power to demand it for themselves.

Improvements to existing terms:

- Category and type of investments in financial instruments, financial instrument receivable or for sale (IFCV, for its acronym in Spanish) Financial Instruments Receivable (IFC, for its acronym in Spanish): an adjustment to the term "Financial Instrument receivable or for sale" for Financial Instruments receivable and for Sale.
- Financial Guarantee contract: improvements were made to the term to aid in its understanding.

No significant financial impacts were observed in the implementation of all these changes.

### *II. NIF Disclosures.*

On December 14th, 2023, the CINIF approved changes in the disclosures of each NIF, splitting disclosures in two sections: i) Disclosures applicable to all entities and ii) Additional disclosures applicable to public interest entities.

The disclosures will be effective as of January 1, 2025, early adoption is allowed as of January 1, 2024. No relevant impacts are expected by its implementation.

### *III. Special accounting rules issued by National Banking Commission applicable to borrowers affected by the OTIS hurricane in the state of Guerrero during October, 2023.*

CNBV issued temporary special accounting rules "the benefit programme" applicable to borrowers of retail, mortgages and commercial loans affected by natural disaster occurred in the state of Guerrero in October 2023. Loans are subject to receive the benefit programme if they are classified for accounting purposes as stage of credit risk 1 or 2 on its balance sheet on October 24, 2023 and documentation is completed no later than October, 31th, 2024 (During first days of April, 2024, the CNBV extended the period to adhere to "the benefit programme").
In summary, "the benefit programme" granted by HSBC provides to borrowers partial or total payment holidays until 6 months, which could involve a change in original term of the loans, extending their maturity for the same period. During the benefit programme period, loans will not be flagged as restructure transactions, and they will still be reported on their current stage 1 or 2 for accounting purposes.
Important to highlight that "the benefit programme" HSBC granted is adhered to criteria established by CNBV, with the purpose to provide a relief to those borrowers affected by this natural disaster.

**Financial Impacts**

As of September 30, 2024 the outstanding balance of loans adhered to the programme are:

| Loan Category | Gross loans carrying amount (MXN $m) | Gross Loans in the benefit programme (MXN $m) | Gross Loans in the benefit programme / Gross Loans carrying amount% | Balances of principal and interest deferred (MXN $m) |
|---|---|---|---|---|
| Corporate | 245,217 | 17 | 0.007% | 2 |
| Consumer | 106,312 | 244 | 0.230% | 38 |
| Mortgages | 152,027 | 383 | 0.252% | 32 |
| **Total** | 503,556 | 644 | | 73 |

Below, an estimation of the financial impacts under Mex GAAP calculated at the reporting period end, assuming that loans would have not been adhered to the programme:

| Loan Category | Balances transfer from stage 1 to 2 (MXN $m) | Balances transfer from stage 2 to 3 (MXN $m) | Additional Increase in loan loss provision (MXN $m) | Interest not recognised in B/S and PnL (MXN $m) |
|---|---|---|---|---|
| Corporate | - | 17 | 4 | - |
| Consumer | 11 | 231 | 143 | 3 |
| Mortgages | 23 | 360 | 56 | 3 |
| **Total** | 34 | 608 | 203 | 6 |

*Note: These impacts were calculated assuming that customers with temporary payment reliefs became past due since the day the benefit was granted.*

## Differences between Mexican GAAP and International Financial Reporting Standards (IFRS) *Grupo Financiero HSBC, S.A. DE C.V.*

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, S.A. DE C.V., reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC, S.A. DE C.V. from Mexican GAAP to IFRS for the nine months ended at 30 September 2024 and an explanation of the key reconciling items.

| *Figures in MXN millions* | **30 Sep 2024** |
|---|---|
| **Grupo Financiero HSBC – Profit / (loss) before tax under Mexican GAAP** | **10,973** |
| Differences arising from: | |
| Loan impairment charges and other differences in presentation under IFRS | (207) |
| IFRS16 | 226 |
| Effective Interest Rate | 263 |
| Valuation of defined benefit pensions and post-retirement healthcare benefits, including post-employment benefits | 178 |
| Fair value adjustments on financial instruments | (2) |
| Deferred profit sharing | 111 |
| AT1 Valuation | 491 |
| Other insurance adjustments[10] | 142 |
| Others | (112) |
| **Profit before/(loss) tax under IFRS** | **12,063** |

[10] *Includes technical reserves and effects from IFRS 17*

## Summary of key differences between results as reported under Mexican GAAP and IFRS

### 1. Valuation of defined benefit pensions and post-retirement healthcare benefits, including post-employment benefits

***Mexican GAAP***

The present value of Defined Benefit Obligations "DBO" (including indemnity benefits for other reasons that restructuring), are calculated at the reporting date by the schemes" actuaries through the Projected Unit Credit Method using a corporate/governmental bond rate as a base rate to determine the discount rate applicable.

The net costs recognize in the income statement mainly comprises the current service cost, plus the unwinding of the discount rate on plan liabilities (the discount rate used could be either corporate or government rate as long as it is applicable on consistent way), less the expected return on plan assets. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

According to Mexican Accounting standard, actuarial gains and losses could be: 1) recognized separately in "shareholders" Other Comprehensive Income in the bank's consolidated financial statements" and recycling through P&L over the average working life of the employees or 2) fully recognized in income statement, as election of the entity.

***IFRS***

The main differences between Mexican GAAP and IFRS comprise:

- Actuarial gains/losses are recognized in OCI under IFRS not subject to be recycling or recognize totally in income statement.
- The measurement of the present value of DBO is based on a Mexican governmental rate bond, instead of a corporate rate bond.
- There are not included in DBO the indemnity benefits given that they are not considered as part of benefits granted from past services.

### 2. Effective interest rate (EIR) adjustments

***Mexican GAAP***

From 2023, HSBC completed the adoption of the EIR method, where the commissions charged to the borrowers and incremental costs incurred to third parties at loan inception are recorded into a deferred credit account (liability) and as an asset, respectively. Both are part of loan net value to determine the effective interest rate and being recognised using the EIR method in the net interest income during the expecting life of the financial instruments in accordance with CNBV accounting standards.

Nevertheless, there are still some differences in EIR calculation for Mex GAAP in comparison with IFRS, such as: the exception of the use of EIR in credit cards and the possibility to not adjust the original EIR for those loans which the interest rate is resettable during their expected life.

Important to highlight that HSBC applies the EIR for those loans originated at or after the implementation date (01Jan23) using a portfolio approach in accordance with the CNBV accounting standards and transitory provisions applicable to the implementation.

***IFRS***

After initial recognition, an entity shall measure the loan at its amortised cost using the effective interest rate "EIR" method without exceptions.

The amortised cost of the financial instrument includes any premium discounts of fees paid and or received as result of the recognition of the financial asset.

### 3. Loan impairment charges and other differences in presentation under IFRS

***Mexican GAAP***

Loan impairment charges are calculated following the rules issued by the CNBV which since 2022 adopted an approach of Expected Credit Losses (ECL), nevertheless it will maintain some differences with IFRS methodology. Such rules establish different methodologies for ECL provisions for each type of loan.

***IFRS***

The impairment requirements under IFRS 9 are based on ECL concept that requires the recognition of provisions on a timely basis and forward-looking manner. ECL is determined via a two-step approach: 1) where the financial instruments are first assessed at inception regarding to for their relative credit deterioration, and 2) on ongoing basis followed by the measurement of the ECL (which depends on the credit deterioration categories).

Financial instruments with status of "performing" are considered in "Stage 1". Financial instruments which are considered to have experienced a significant increase in credit risk are in "Stage 2". Financial instruments for which there is objective evidence of impairment (in default or credit deterioration) are in "Stage 3". Financial instruments that are credit-impaired upon initial recognition are POCI, remaining this category until derecognition.

### 4. Fair value adjustments on financial instruments

***Mexican GAAP***

Since 2022, the NIF B-17 "Fair Value Measurement" requires that for those derivatives and financial instruments that should be measured at fair value, its value should be adjusted to reflect factors that would not be captured by the internal methodology of valuation, such as Debit and Credit Value Adjustments (CVA/DVA) and the use of a price into the Bid/Offer differential, as long as those financial instruments are included in the scope of article 175 Bis 3 of CNBV regulation.

***IFRS***

Fair Value Adjustments ("FVAs") include additional factors than those specified in Mexican GAAP.

### 5. Deferred-profit sharing (PTU diferida)

***Mexican GAAP***

Accounting standards requires that a Deferred-Employee Profit Sharing (Deferral PTU) shall be calculated applying a similar model to deferred income tax (assets and liabilities method). It is derived from temporary differences between the accounting profit and income to be used to calculate the profit sharing. Given the changes issued on 23 April 2021 by the Mexican government to introduce a threshold in the calculation of the "Employee Profit Sharing" (PTU by its acronym in Spanish) (the more favourable to the employee between a cap of three months of employee's wages or the average of PTU paid during the three last periods), some modifications to determine the new procedure to calculate deferral PTU:

Step 1.- Calculate the temporary differences between accounting and taxable for PTU at the reporting end period.

Step 2.- Determine the PTU rate expected to be incurred during the following years, based on financial and tax projections or the PTU incurred in the current period.

Step 3.- PTU rate x temporary differences amount.

An asset or liability for the Deferral PTU would be recognized according to method of comparing assets and liabilities sets out in Income Tax standards applicable in Mexico (*NIF D-4 "Income Taxes"*).

***IFRS***

Deferral PTU is not allowed to recognize under IFRS.

## 6. Insurance liabilities and Insurance premiums recognized on an annualised basis

***Mexican GAAP***

Insurance liabilities are determined based on Solvency II methodology established by local regulator (CNSF) which considers best estimate liability and a risk margin concept. The best estimate is based on up-to-date credible information and realistic assumptions and aims to represent a total liability valuation aligned to its expected pricing transfer to the customer. The risk margin is calculated as the cost of providing an amount of capital equal to 10% of the Solvency Capital Requirement necessary to support the insurance obligations over their lifetime.

Insurance premiums are recognized under annualization criteria which is based in determine the total premium for the coverage period (one year), consequently total premium is recognized since the moment where insurance contracts are written.

***IFRS***

For insurance liabilities starting in 2023, INMX applied IFRS17 accounting standard, that Aims to align insurance accounting with the principles applied by other industries, while recognizing the specific complexities of the contracts, their long term nature, and the linkages to underlying assets (especially for participating contracts).

Establish Globally consistent standard, setting a framework for measuring insurance contracts consistent with observable market parameters, and based on best estimate assumptions. The profits recognized in line with service provision (i.e. over the life of the contract) and included Enhanced and more granular disclosures.

During September was reviewed some policies of UL product and after review, the treatment of liabilities for this specific policies were moved from IFRS17 to IFRS9, without impact in equity, only a reclassification was made between Insurance Liabilities & Financial Liabilities.

## 7. Perpetual Subordinated Debt – AT1

***Mexican GAAP***

The perpetual subordinated debt is considered as compound financial instrument, i.e. principal meets financial liability definition while coupon of interest meets equity definition given the discretionary in its payment by the issuer according to "NIF C-11 Share Capital" and "NIF C-12 Financial Instruments with liability and equity features". Based on this, principal is measured as a financial liability at amortised cost and coupons are accounted as dividends from retained earnings. Given the instrument is denominated in US$, principal is recognized as foreign currency transaction and reported using the closing rate. Exchange rate changes are recognized in income statement. On the other hand, coupons of interest are recognized in equity when holder has the right to receive payment at historical cost (equity is non-monetary item under "NIF B-15 "The Effects of Changes in Foreign Exchange Rates").

***IFRS***

Considering the features of the instruments, the perpetual subordinated debt (AT1) is measured according to IFRS 9 as an equity instrument. As such, equity instruments are not re-measured subsequent to initial recognition. As the AT1 is classified and accounted for as equity, coupons interest payments are accounted as dividends from retained earnings and recognized when the holder's right to receive payment is established. No subsequent gains or losses are recognized in profit or loss in respect of the AT1 during its life. For instruments in a foreign currency which is different to functional currency of the issuer, no retranslation is applicable (equity is a non-monetary item under IAS 21 – The Effects of Changes in Foreign Exchange Rates).